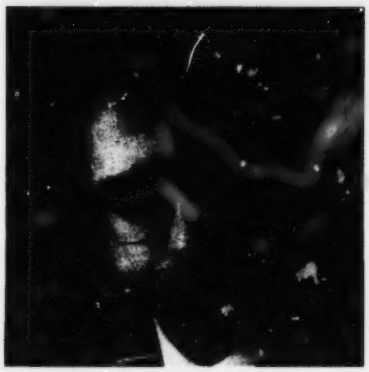
Saskatchewan
Property Management
Corporation

Annual Report
1989-1990

Saskatchewan

Letter of transmittal

Regina, Saskatchewan
July 14, 1990



The Honourable Jack Wolfe was named Minister Responsible for SPMC March 1, 1990.

91-04352/

To Her Honour
The Honourable
Sylvia O. Fedoruk, OC, SOM
Lieutenant Governor of the
Province of Saskatchewan

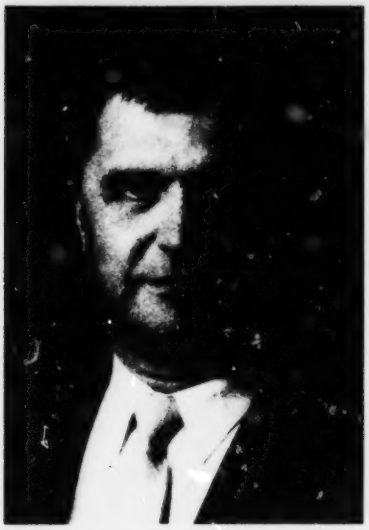
Your Honour,

I have the honour to submit herewith the Annual Report of the Saskatchewan Property Management Corporation for the period April 1, 1989, to March 31, 1990. Included are financial statements for the year duly certified by Deloitte and Touche, chartered accountants, and in a form approved by the Treasury Board, all in accordance with the Saskatchewan Property Management Corporation Act.

I have the honour to be,
Your obedient servant,

Jack Wolfe
Minister Responsible for
Saskatchewan Property
Management Corporation

Message from the president



Ron Dedman took over as SPMC president in December, 1989.

The Saskatchewan Property Management Corporation has completed its third year of operation. During the 1989-90 fiscal year, a number of projects were completed, including the Saskatoon Calder Centre and the implementation of the Western Purchasing Information Network.

We have also been involved in long term projects which include the relocation of the Mackenzie Art Gallery to the T.C. Douglas Building, renovations to the Legislative Building and the implementation of electronic access management systems in government facilities.

There were several changes to our Board of Directors during the 1989-90 fiscal year. The Honourable Graham Taylor who was Minister Responsible for SPMC since our inception as a Crown corporation in 1987 retired from public life. The Honourable Lorne Hepworth served as Minister Responsible for four months during the 1989-90 fiscal year. The Honourable Jack Wolfe became Minister Responsible in March 1990. At year end, members of our board were Honourable Jack Wolfe, Honourable Pat Smith, Honourable Lorne Hepworth, Honourable J. Gary Lane, Honourable John Gerich, Honourable Eric Berntson, Honourable George McLeod and Honourable Ray Meiklejohn.

The corporation's successes have been the result of hard work and commitment by all staff. I thank them for their support.

Ron Dedman
President,
Saskatchewan Property
Management Corporation

Executive management's year in review

As a corporation driven by customer service we completed several initiatives during the 1989-90 fiscal year including:

- 36 Rural Service Centres
- 3 Section Headquarter Buildings for the Department of Highways
- renovations to the Chief Factor's Residence in Fort Carleton Historic Park
- construction and renovations to the Northlands Career College in La Ronge
- construction of a Visitor Reception Centre in Lloydminster
- an optical disk accounts payable system installed to improve the turn around time on payments to suppliers
- a new long distance dialing program introduced to save customers' money
- a new Customer Access Program developed to provide customers with management information on leased vehicles
- the Western Procurement Initiative negotiated and signed by the four western provinces to increase suppliers' access to information on government procurement opportunities in Western Canada

During the next year there will be a strong corporate focus on customer service, fiscal restraint and the environment. In conjunction with other Canadian governments, we will participate on a task force on procurement of environmentally friendly products. The year ahead will bring many challenges.

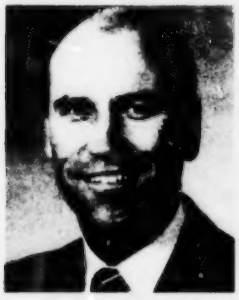
Board of directors

Hon. Jack Wolfe

Hon. Pat Smith

Hon. Lorne Hepworth

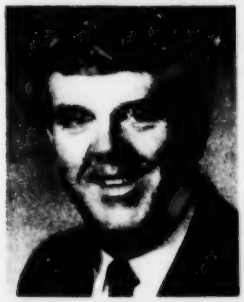
Hon. J. Gary Lane



Hon. John Gerich

Hon. Eric Berntson

Hon. George McLeod



Hon. Ray Meiklejohn

Report of management

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Board of Directors. Management uses internal controls and exercises its best judgement in order that the financial statements reflect fairly the financial position and the results of operations and changes in cash flow.

The corporation's accounting systems and internal control systems are designed to provide reasonable assurance that assets are properly safeguarded and that the financial records are reliable for preparing financial statements and other data and maintaining accountability for assets.

The financial statements have been examined by the corporation's external auditor whose report follows.

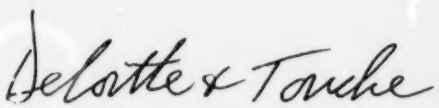
Shirley Raab
Vice President, Finance

Auditors' report

To the Members of the Legislative Assembly
Province of Saskatchewan:

We have examined the statement of financial position of the Saskatchewan Property Management Corporation as at March 31, 1990 and the statements of income and retained earnings and of cash flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for furniture as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.



Chartered Accountants

Regina, Canada
June 20, 1990

Saskatchewan Property Management Corporation
Statement of Financial Position
as at March 31

	1990	1989 Restated
	(Thousands of dollars)	
Assets		
Real estate investments (note 4)	$ 538,305	$ 544,251
Loans receivable	479,219	362,469
Furniture and equipment (note 5)	43,424	37,916
Accounts receivable	33,094	30,807
Other (note 6)	16,671	10,274
Cash	201	809
	$ 1,110,914	**$ 986,526**
Liabilities and equity		
Long term debt (note 7)	$ 377,242	$ 202,278
Promissory notes (note 8)	173,996	232,236
Capital lease obligation (note 9)	76,620	75,581
Accounts payable	36,919	34,672
	664,777	544,767
Province of Saskatchewan equity (note 10)	430,273	430,926
Retained earnings		
Unappropriated	10,147	4,833
Appropriated for insurance (note 11)	5,717	6,000
	446,137	441,759
	$ 1,110,914	**$ 986,526**

Saskatchewan Property Management Corporation
Statement of Income and Retained Earnings
for the year ended March 31

	1990	1989 Restated
	(Thousands of dollars)	
Revenues		
Accommodation	$ 178,775	$ 167,607
Interest	52,318	36,179
Grants	7,063	6,763
Other services	54,918	53,609
	293,074	264,158
Expenses		
Lease	29,569	28,370
Property management	58,611	51,860
Interest — capital leases	9,738	10,171
— other debt	49,538	36,828
Depreciation	29,708	27,991
General operations	58,383	52,423
	235,547	207,643
Income before the following	**57,527**	**56,515**
Participation credit (note 13)	52,341	54,440
(Loss) Gain on sale of real estate, furniture and equipment	(155)	1,181
Net income	5,031	3,256
Retained earnings, beginning of year	4,833	22,577
Transfers from (to) appropriated for insurance (note 11)	283	(1,000)
Dividend	—	(20,000)
Retained earnings, end of year	**$ 10,147**	**$ 4,833**

Saskatchewan Property Management Corporation
Statement of Cash Flow
for the year ended March 31

	1990	1989 Restated
	(Thousands of dollars)	
Operating activities		
Net income	$ 5,031	$ 3,256
Non cash items affecting operations		
Depreciation	29,708	27,991
Loss (Gain) on sale of real estate, furniture and equipment	155	(1,181)
Accrued interest on loans	(25,609)	(22,750)
Loans advanced	(105,237)	(67,972)
Collection of loans	14,095	9,437
Net change in accounts receivable, other assets and accounts payable	(13,733)	3,739
	(95,590)	(47,480)
Dividend paid	—	(20,000)
Investing activities		
Purchases of real estate, capital leases, furniture and equipment	(24,912)	(21,845)
Proceeds on sale of real estate, furniture and equipment	2,767	3,496
	(22,145)	(18,349)
Financing activities		
Province of Saskatchewan equity (note 10)	(653)	(1,524)
Repayment of promissory notes	(58,240)	(8,600)
Proceeds from long term debt	175,000	102,302
Proceeds from capital lease obligation	3,089	4,000
Repayment of long term debt	(36)	(12,138)
Repayment of capital lease obligation	(2,033)	(1,611)
	117,127	82,429
Decrease in cash for year	**(608)**	**(3,400)**
Cash, beginning of year	809	4,209
Cash, end of year	**$ 201**	**$ 809**

Saskatchewan Property Management Corporation
Notes to the financial statements
March 31, 1990

1. Status of the corporation

The Saskatchewan Property Management Corporation was established under the Crown Corporations Act, 1978 by Order in Council #357-86 of 1986 and continues under the Saskatchewan Property Management Corporation Act, 1987.

The corporation has been established to provide services, accommodation and facilities to the Government of Saskatchewan and public agencies and capital property financing for third parties.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

a) Real estate investments

Properties transferred from the Province of Saskatchewan are stated at appraised value at the date of transfer, determined by techniques generally accepted in the appraisal industry. Transferred properties with minimal income streams are stated at nominal values.

Properties purchased or constructed by the corporation are stated at cost.

The corporation capitalizes all direct costs relating to projects under construction including general and administrative expenses and interest.

b) Furniture and equipment

Furniture transferred from the Province of Saskatchewan is stated at nil. Equipment transferred from the Province of Saskatchewan is stated at depreciated historical cost at the date of transfer.

Furniture and equipment purchased by the corporation is stated at cost.

c) Depreciation

Depreciation on properties is recorded on a straight line basis over their estimated useful lives. The estimated useful lives of the properties are between 1 and 60 years. The average estimated useful life approximates 20 years.

Depreciation on furniture and equipment is recorded on a straight line basis over the estimated useful life of each asset ranging from two to ten years.

d) Deferred costs

The corporation capitalizes all direct costs relating to development of a geographic information system including general and administrative expenses and interest.

Deferred costs will be amortized based upon delivery of geographic information to purchasers.

e) Inventories

Inventories are stated at the lower of cost and replacement cost.

f) Amortization of debt discount, premium and issue expenses

Debt discount, premium and issue expenses are amortized on a straight line basis over the term of the applicable debt.

3. Change in accounting policy

During the year, the corporation changed its accounting policy for furniture. Previously furniture was expensed in the year of purchase. The current policy is to capitalize furniture and depreciate over its estimated useful life.

The change in accounting policy has been applied retroactively. As a result of this change, net income for 1990 increased by $2,253,900 (1989 - $1,442,900). The cumulative effect on opening retained earnings for 1990 is an increase of $1,828,100 (1989 - $385,200).

4. Real estate investments

	Land	Buildings	1990 Total	1989 Restated Total
			(Thousands of dollars)	
In operation				
–Owned	$ 47,071	$ 442,699	$ 489,770	$ 481,381
–Under capital lease	6	76,578	76,584	74,439
Under construction	—	14,507	14,507	11,469
Held for development	1,029	—	1,029	1,029
Held for disposal	1,521	280	1,801	2,109
	49,627	534,064	583,691	570,427
Accumulated Depreciation				
–Owned	—	(33,108)	(33,108)	(18,146)
–Under capital lease	—	(12,278)	(12,278)	(8,030)
	$ 49,627	**$ 488,678**	**$ 538,305**	**$ 544,251**

During the year interest of $536,000 (1989 - $377,000) was capitalized.

5. Furniture and equipment

	1990	1989 Restated
	(Thousands of dollars)	
Vehicles	$ 45,180	$ 37,188
Aircraft	6,682	6,353
Furniture	4,399	1,902
Other equipment	11,396	8,421
	67,657	53,864
Accumulated depreciation	(24,233)	(15,948)
	$ 43,424	**$ 37,916**

6. Other assets

	1990	1989
	(Thousands of dollars)	
Deferred costs	$ 6,586	$ 1,675
Inventories of parts and supplies	4,959	5,195
Prepaid expenses	2,671	2,384
Unamortized debt discount, premium and issue expenses	2,455	1,020
	$ 16,671	**$ 10,274**

During the year interest of $346,000 (1989 - $44,000) was capitalized for development of the geographic information system.

7. Long term debt

Province of Saskatchewan notes:

Percent	Issue date	Due date	1990 balance	1989 balance
			(Thousands of dollars)	
10.00% (a)	Feb 2/88	May 1/98	$ 50,000	$ 50,000
9.75%	Feb 25/88	Feb 25/93	50,000	50,000
9.88%	Jul 21/88	Jul 21/91	25,000	25,000
10.25%	Nov 10/88	Nov 10/93	50,000	50,000
10.50%	Feb 23/89	Feb 23/94	25,000	25,000
9.88%	Jul 6/89	Jul 6/99	100,000	—
10.00% (b)	Jan 18/90	Jan 18/10	75,000	—
			375,000	200,000
Saskatchewan Economic Development Corporation:				
11.25% Loan payable in monthly installments of $24,152 including interest			2,242	2,278
			$ 377,242	**$ 202,278**

(a) This issue is retractable after May 1, 1991 at the option of the investor. If the option is not exercised the interest rate for the remaining 7 years will be 10.25%.

(b) This issue requires annual sinking fund payments of 1% of the outstanding debt.

Principal repayments required over the next five years, in thousands of dollars, are as follows:

1990/91	$ 789
1991/92	$ 25,786
1992/93	$ 50,784
1993/94	$ 75,784
1994/95	$ 782

8. Promissory notes

As at March 31, 1990, the corporation has interest bearing promissory notes outstanding of $173,996,000 (1989 - $212,236,000) due to the Province of Saskatchewan. These notes are due June 30, 1990 and have an average interest rate of 13.38% (1989 - 12.25%).

On March 31, 1990, the corporation repaid a $20,000,000 non-interest bearing promissory note from the Province of Saskatchewan.

9. Capital and operating lease obligation

Future minimum lease payments under capital and operating leases are:

Fiscal year	Capital Leases	Operating Leases
	(Thousands of dollars)	
1990/91	$ 15,137	$ 28,024
1991/92	15,197	25,315
1992/93	15,124	23,231
1993/94	14,675	20,336
1994/95	14,371	16,857
Subsequently	155,935	89,982
	230,439	$ 203,745
Less: Interest implicit in leases at an average rate of 13.15%	94,716	
Executory costs	59,103	
	153,819	
	$ 76,620	

Capital leases expire at various dates up to February 1, 2012.

10. Province of Saskatchewan equity

The Province of Saskatchewan has contributed equity to the corporation through assets and liabilities transferred to the corporation. In 1990 net assets of $1,292,000 (1989 - $0) were returned to the province. The amount transferred from the province in 1990 was $639,000 (1989 - $747,720).

The valuation of certain properties previously transferred from the province was corrected resulting in the reduction of 1989 Real Estate Investments and Province of Saskatchewan equity by $2,272,000. Net income for 1990 increased by $184,000 (1989 - $184,000).

11. Appropriated for insurance

The Board of Directors has approved the appropriation of retained earnings for losses not covered by insurance.

During the year a total of $283,000 (1989 - $0) for uninsured losses was transferred from retained earnings appropriated for insurance to retained earnings unappropriated.

12. Commitments

As at March 31, 1990 the corporation has the following significant commitments:

a) construction of $6,136,200
b) loan advances of $122,640,600
c) equipment of $10,124,200

13. Related party transactions

The corporation received substantially all of its revenues from Saskatchewan Crown controlled departments, agencies, corporations and public institutions. These revenues primarily are determined with reference to market; however in such cases where comparable market rates do not exist, rates are based on the operating costs and the amortization of the related capital costs.

Included in these financial statements are expenses resulting from routine operating transactions conducted at prevailing market rates with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

The participation credit shown in the Statement of Income and Retained Earnings represents a return of profit based on volume of accommodation business and is applied to Saskatchewan Crown departments and agencies which are funded through the provincial treasury.

Account balances resulting from these transactions are included in the statement of financial position and are settled in normal trade terms.

14. Additional information

a) School board funding

During 1986/87 the corporation received $20,950,000 from the Consolidated Fund to provide funding for various school board construction projects. At March 31, 1990, $1,659,566 (1989 - $2,403,420) was unpaid and is included in Accounts Payable.

b) Loans receivable

The loan agreements state that the Crown undertakes to pay the corporation on behalf of the borrower, an annual grant equal to the annual installment of principal and interest. The borrower irrevocably authorizes and directs the Crown to pay annual amounts to the corporation on its behalf to be applied in payment of principal and interest. In addition, the agreement provides that the borrowers' obligation to repay all installments of principal and interest as they become due shall be conditional upon the Crown's continued payment of the annual grant.

15. Comparative figures

Certain of the 1989 figures have been reclassifed to conform to the current year's presentation.